



City Council Agenda Item

City Council Meeting Date: April 2, 2019

TO: Jim Throop, City Manager

FROM: Michael W. Luther, Public Works Director
M_luther@ci.lompoc.ca.us

SUBJECT: Adoption of Resolution No. 6245(19) Road Repair and Accountability Act List of Proposed Projects (Fiscal Year 2019-20)

Recommendation:

Staff recommends the City Council adopt Resolution No. 6245(19) approving a list of proposed projects to be funded with Road Maintenance and Rehabilitation Account (RMRA) revenues for Fiscal Year (FY) 2019-20.

Executive Summary:

In order to meet eligibility requirements, and receive its monthly Senate Bill 1 (SB 1) Local Streets and Roads Funding Program (Program) allocation from the State Controller's Office (Controller) for FY 2019-2020, the City must annually adopt, by resolution, a list of projects proposed to be funded with Program funds. Program funds are anticipated to grow over time, and are an essential resource for maintenance of the City's street infrastructure.

Background:

Senate Bill 1

In April 2017, Governor Jerry Brown signed SB 1 (Beall, Chapter 5, Statutes of 2017), known as the "Road Repair and Accountability Act of 2017." The purpose of SB 1 is to provide new additional resources to address basic road maintenance, rehabilitation, and critical safety needs on both the state highways, and local streets and roads systems. SB 1 generates new funding by implementing increases to the per-gallon fuel excise taxes, diesel fuel sales taxes, vehicle registration fees, and provides for inflationary adjustments to tax rates in future years.

Beginning November 1, 2017, the Controller began depositing various portions of the Program funding into the RMRA. A portion of the RMRA funding will be apportioned, by formula, to eligible cities, and counties, pursuant to Streets and Highways (S&H) Code

subdivision 232(h), for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads systems.

Statutory Requirements

In order to receive RMRA funds the City must comply with all relevant Federal and State laws, regulations, policies, and procedures. The main requirements for the Program are codified in S&H Code sections 2034, 2036, 2037, and 2038 and include the following:

- Annually, by May 1st, a list of proposed projects must be submitted to the California Transportation Commission (Commission). The project list must be adopted by the City Council at a regular public meeting [S&H Code subdivision 2034(a)(1)];
- The project list must include a description, and the location, of each proposed project, a proposed schedule for the project's completion, and the estimated useful life of the improvement [S&H Code subdivision 2034(a)(1)];
- The project list will not limit the flexibility of the City to fund projects in accordance with local needs and priorities, so long as the projects are consistent with RMRA priorities as outlined in S&H Code subdivision 2030(b) [S&H Code subdivision 2034(a)(1)];
- The Commission will report to the Controller the cities and counties that have submitted a list of projects, and are therefore eligible to receive an apportionment of RMRA funds for the applicable fiscal year [S&H Code subdivision 2034(a)(2)];
- The Controller, upon receipt of the report from the Commission, shall apportion RMRA funds to eligible cities and counties pursuant to S&H Code subdivision 2032(h) [S&H Code subdivision 2034(a)(2)];
- For each fiscal year in which RMRA funds are received and expended, the City must submit documentation to the Commission, including a description and location of each completed project, the amount of funds expended on the project, the completion date, and the estimated useful life of the improvement [S&H Code subdivision 2034(b)]; and
- Any city or county, receiving an apportionment of RMRA funds, is required to sustain a Maintenance of Effort (MOE), by spending at least the annual average of its General Fund expenditures during the three fiscal years of 2009–2012, for street, road, and highway purposes from that city's or county's General Fund [S&H Code section 2036] as determined by the Controller.

Roles and Responsibilities

The general roles and responsibilities of recipient cities/counties, the Commission, and the Controller, in carrying out the Program's statutory requirements are:

- Recipient Cities/Counties
 - Develop and submit a list of projects to the Commission each fiscal year,
 - Develop and submit a project expenditure report to the Commission each fiscal year,
 - Comply with all requirements including reporting for RMRA funding;

- Commission
 - Provide technical assistance to cities and counties,
 - Receive proposed project lists from cities and counties each fiscal year,
 - Provide list of cities and counties eligible to receive RMRA apportionments to the Controller each fiscal year,
 - Receive Program expenditure reports from cities and counties each fiscal year,
 - Provide aggregated statewide information regarding use of RMRA funds to the Legislature and the public;

- Controller
 - Receive list of cities and counties eligible for RMRA apportionments each fiscal year from the Commission,
 - Apportion RMRA funds to cities and counties, and
 - Oversee MOE, and other requirements for RMRA funds, including reporting required pursuant to S&H Code section 2151.

Program Schedule

The following schedule lists the major milestones for the Program.

Activity	Timeframe
Project lists due to the Commission	May 1 st each year
Commission adopts initial list of eligible cities and counties	June Commission meeting each year
Commission submits list initial list to Controller	No later than June 30 th each year
Commission adopts subsequent list of eligible cities & counties	August Commission meeting each year (if needed)
Commission submits subsequent list to Controller	No later than August 31 st each year (if needed)
Annual reporting of fiscal year expenditures due to Commission	October 1 st each year
Informational Program update to Commission	December Commission meeting each year

Funding

The State of California imposes per-gallon excise taxes on gasoline and diesel fuel, sales taxes on diesel fuel, and registration taxes on motor vehicles, and dedicates those revenues to transportation purposes. Portions of those revenues flow to cities and counties through the Highway Users Tax Account (HUTA), and now the newly established RMRA created by SB 1.

The Program is administered by the Commission, in partnership with the Controller, and is supported by RMRA funding, which includes portions of revenues, pursuant to S&H Code section 2031 from the following sources:

- An additional 12 cents per gallon increase to the gasoline excise tax, effective November 1, 2017.
- An additional 20 cents per gallon increase to the diesel fuel excise tax, effective November 1, 2017.
- An additional vehicle registration tax called the “Transportation Improvement Fee” with rates based on the value of the motor vehicle, effective January 1, 2018.
- An additional \$100 vehicle registration tax on zero emissions (ZEV) vehicles of model year 2020 or later, effective July 1, 2020.
- Annual rate increases to the above taxes beginning on July 1, 2020 (July 1, 2021 for the ZEV fee), and every July 1st thereafter, equal to the change in the California Consumer Price Index.

S&H Code subdivision 2032(h)(2) specifies 50% of the balance of revenues deposited into the RMRA, after certain funding is set aside for various programs, will be continuously appropriated for apportionment to cities and counties by the Controller pursuant to the formula in S&H Code subdivisions 2103(a)(3)(C)(i) and (ii).

Estimation and Disbursement of Funds

While neither the Commission, nor the Controller, prepares formal estimates of RMRA funds, the Department of Finance (DOF) estimates the total amount of funding that will be deposited into the RMRA annually. The California State Association of Counties and the League of California Cities then use the information from the DOF to develop city and county level estimates of RMRA funds. Estimated revenues for the City for Biennial Budget FYs 2018-2020 are projected to be \$740,517 for FY 2018-19 and \$770,802 for FY 2019-20.

Each fiscal year, upon receipt of a list of cities and counties eligible to receive an apportionment of RMRA funds pursuant to S&H Code subdivision 2032(h)(2) from the Commission, the Controller is required to apportion RMRA funds to eligible cities and counties consistent with the formula outlined in S&H Code subdivisions 2103(a)(3)(C)(i) and (ii). It is expected the Controller will continuously apportion RMRA funds on a monthly basis to eligible cities and counties using a process and system similar to Highway Users Tax Account apportionments. RMRA funding is continuously apportioned and is not provided on a reimbursement basis.

The Commission does not approve project lists, or provide authorization to proceed with RMRA-funded projects. The Commission receives project lists, determines they are complete, meet basic statutory requirements outlined in S&H Code section 2034, and then approves, and submits, a statewide list to the Controller of cities and counties eligible to begin receiving monthly RMRA funding apportionments.

Discussion:

Pursuant to S&H Code subdivision 2034(a)(1), prior to receiving an apportionment of RMRA funds from the Controller in a fiscal year, cities/counties must submit a list of projects proposed to be funded to the Commission. Staff proposes to utilize FY 2019-2020 RMRA funds to offset the costs of eligible Street Maintenance Division work, including, but are not limited to:

- a) Pavement work (crack sealing, pothole patching, digout repairs, or similar maintenance and rehabilitation);
- b) Transportation safety improvements;
- c) Active transportation (bike, pedestrian, etc.) improvements; and
- d) Traffic control devices (lane line striping, stencil painting, sign installation, and maintenance).

Fiscal Impact:

All of the City's estimated \$770,802 FY 2019-20 RMRA funds, are proposed to be spent on short-term maintenance of existing streets, sidewalks, and right-of-ways by the City's Street Maintenance Division above the amounts available for those programs from existing resources and budgeted in FY 2019-20. The fully phased-in annual allocation of RMRA funds to the City could be approximately \$1 Million annually, and could provide needed funding for more substantial annual street pavement rehabilitation projects (Capital Improvement Projects). That would provide a substantial improvement to the City's overall pavement condition. However, RMRA funding of \$1 Million annually is still far less than the current estimated annual \$6 Million needed to address deferred maintenance to maintain the City's current Pavement Condition Index.

The City Council's approval of a list of proposed projects to be funded from SB 1 funds is required for the City to be eligible to receive RMRA funds. Submittal of the adopted list to the Commission prior to May 1st each year, is required for eligibility. Failure to approve and/or submit the list of projects would forfeit the City's monthly allocation from the Controller until the City meets eligibility requirements. The City would have 90 days to meet eligibility requirements for forfeited monies to be recoverable once eligibility is met. Once forfeited, the funds revert to state responsibility and would be unavailable to the City.

Conclusion:

All sources of road maintenance and rehabilitation funds are critically needed to maintain the City's failing pavement infrastructure, and to bridge the gap between available and needed road maintenance funding. RMRA revenue for operations and maintenance of City streets and right-of-ways is a critical resource for the City's Streets Division. Staff proposes to expend the City's share of RMRA funds for street maintenance, and other street-related uses, performed by Street Maintenance Division staff. Resolution

No. 6245(19) adopts the required list of projects for the City to meet the program eligibility requirements.

Respectfully submitted,

Michael W. Luther, Public Works Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jim Throop, City Manager

Attachment: Resolution No. 6245(19)